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Fourth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The General Assembly, in its resolution 60/283, approved the adoption of International Public Sector Accounting Standards (IPSAS) for the presentation of the financial statements of the United Nations. The Secretary-General submitted the first progress report on the adoption of IPSAS to the General Assembly in 2008 (A/62/806), followed by the second report in 2009 (A/64/355) and the third report in 2010 (A/65/308). The present report reviews the progress in IPSAS implementation throughout the United Nations system during the period from 1 August 2010 to 31 August 2011. As at 31 December 2010, 9 organizations of 23 within the United Nations system completed the implementation of IPSAS. The adoption of IPSAS is in progress in the remaining 14 organizations, including the United Nations Secretariat, which are on track with their implementation. The present report further highlights the steps taken towards the implementation of IPSAS within the Secretariat, together with risks to target timelines and strategies adopted to address those risks.

The General Assembly is requested to take note of the present report.

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I. Introduction

1. On 30 November 2005, the High-level Committee on Management recommended the adoption of International Public Sector Accounting Standards (IPSAS) for the United Nations system to improve the quality, comparability and credibility of financial reporting. Prior to that recommendation, the financial statements of the United Nations system organizations were prepared in accordance with the United Nations system accounting standards, which were developed by accounting professionals in the United Nations system. However, over the years it had been recognized by stakeholders of United Nations system organizations that the United Nations system accounting standards no longer kept pace with accounting best practices and IPSAS had become international best practice for accounting and reporting by Governments and international governmental organizations.

2. In 2006 the High-level Committee on Management established a jointly funded system-wide project to support a harmonized, system-wide approach to IPSAS implementation throughout the United Nations system. Under that approach, each United Nations system organization is responsible for implementing IPSAS requirements for its entity individually. The system-wide IPSAS project team facilitates and guides the United Nations system organizations in their IPSAS implementation activities. In 2007 the system-wide IPSAS project team established a harmonized platform of IPSAS-compliant policies and guidelines accepted by the United Nations system organizations.

3. The World Food Programme (WFP) produced its first set of IPSAS-compliant financial statements as at 31 December 2008, marking a milestone for the IPSAS adoption project, as the first United Nations system organization to successfully implement IPSAS.

4. During the reporting period, eight additional United Nations system organizations produced their first IPSAS-compliant financial statements. Seven of the organizations received an unqualified audit opinion; an audit of the eighth organization is expected to be finalized before the end of the year. All other United Nations system organizations advanced with IPSAS implementation and are on track with target timelines.

5. The General Assembly, in its resolution 60/283, approved the adoption of IPSAS by the United Nations in 2006. The Secretary-General's first progress report on the adoption of IPSAS (A/62/806) communicated the target IPSAS implementation date for the United Nations as 2011. That date was readjusted as 2012, further to the view expressed by the Advisory Committee on Administrative and Budgetary Questions (see A/63/496). The Secretary-General's second progress report (A/64/355) communicated the revised timeline for IPSAS-compliant financial statements as 2014, owing to changes in the deployment dates of the Umoja enterprise resource management system.

6. At the United Nations, the early stages of the IPSAS project focused on setting up and strengthening governance, and on developing training products and the IPSAS policy framework. During the current period, the policy framework has reached its final stages, marking a milestone. Substantive completion of the policy framework shifted the momentum of the project towards implementation. The project is on target for the delivery of the first set of IPSAS-compliant financial statements for the period ending June 2014 for peacekeeping operations by 30 September 2014 and

for the period ending December 2014 for other United Nations Secretariat operations by 31 March 2015.

7. The present report reviews the progress achieved towards the adoption of IPSAS, for the period from August 2010 to August 2011. Progress at the system-wide level is described in section II, followed by progress at the United Nations in section III. Section IV states the action to be taken by the General Assembly.

II. United Nations system-wide IPSAS adoption activities

A. Overview

8. The system-wide IPSAS project team continued to provide guidance and technical support to United Nations system organizations during and after IPSAS implementation. Key areas of work included continued communication with the Technical Group of the Panel of External Auditors, close support of system-wide working groups, the monitoring of IPSAS Board activities and management of accounting diversity throughout the United Nations system. As part of the management of accounting diversity, the team shared accounting policy diversity survey results with stakeholders and identified areas where further system-wide work is required. The team is currently comparing the 2010 financial statements of IPSAS implementers and preparing technical issue papers to address common diversity issues. The team's role has been extended until the end of 2013, with the presumption of continuation until 2015. An independent review of system-wide IPSAS-related activities will also be conducted before the end of 2013, with a reassessment of the way forward beyond 2013, including a decision on resources required and the issue of institutionalization.

B. System-wide project governance and budget

9. The system-wide project team reports to the IPSAS Steering Committee, which is accountable to the Task Force on Accounting Standards (Task Force) of the High-level Committee on Management. In April 2011 a new Task Force Chairperson replaced the former Chairperson who had retired; a Vice-Chairperson was also appointed to the newly created position in 2011.

10. The current biennium budget for the United Nations system-wide project is $1.3 million. As the system-wide team was understaffed for a substantial part of the 2006-2009 period, the current biennium requirements were funded through savings and carry-forward balances from prior periods. The requirements for the biennium 2012-2013 of $1.9 million would provide for the strategic areas of the system-wide IPSAS project team.

C. IPSAS-compliant accounting policies and guidance

Accounting guidance

11. A stable policy platform in support of harmonized adoption of IPSAS throughout the United Nations system was deemed to be established in 2007. The focus since then has been on maintenance of the policy platform and providing

further guidance with respect to specific IPSAS requirements. As part of the maintenance activity, the system-wide IPSAS team updated system-wide papers for changes issued by the IPSAS Board and/or decisions of the Task Force. The team updated the guidance on the use of the United Nations operational rate of exchange to incorporate elements of the working guidelines for the United Nations operational rate of exchange, and five papers as a result of the new standards on intangible assets and financial instruments.

12. The system-wide team continuously monitors IPSAS Board activities, including assessing the impact of new or amended standards and pronouncements on United Nations system organizations, and provides submissions. The team prepared submissions on behalf of the Task Force, in relation to the exposure draft and consultation papers of the conceptual framework developed by the Board, for general purpose financial reporting by public sector entities. The conceptual framework will establish and make explicit the concepts to be applied in developing IPSAS and other guidance documents on information included in general purpose financial reports. The team also attended the quarterly IPSAS Board meetings and provided support to the representatives of the participating United Nations system organizations.

Thematic working groups and working focus groups

13. The system-wide team provided support to five thematic working groups which addressed issues in the areas of accounting and reporting of employee benefits; treatment of common services; valuation of inventories and property, plant and equipment; accounting for controlled entities; and treatment of donated rights to use premises under shared arrangements. The final reports on the outcomes of the working groups in the areas of guidance, experiences, or practical approaches to IPSAS implementation were issued in 2010. The reports were shared with the United Nations system organizations through the Task Force.

14. Following the successful collaboration and outcomes of the thematic working groups, the Task Force established working focus groups for its September 2011 meeting to address topics including budget reporting and reconciliation under IPSAS; audit and oversight process; managing closure process; and IPSAS post-implementation challenges. The working focus groups have a more flexible structure compared to thematic working groups, which allows the participating organizations to address broader issues depending on their needs.

Management of accounting diversity

15. A survey was conducted to gather information with the objective to build a database on the application of accounting policies, in order to manage the diversity among the United Nations system organizations. The results of the survey will also assist in prioritizing the areas that require diversity management, evaluating differences among organizations and raising awareness on divergences within the United Nations system.

16. According to the survey results, there was a relatively low level of variance between organizations on the application of policies and practices approved by the Task Force. However, the diversity among the organizations was distinctly noticeable in relation to guidance that does not require approval of the Task Force. The divergences identified were primarily attributed to differences in regulatory frameworks, institutional arrangements, implementation mandates and modalities,

business models and alternatives allowed by the IPSAS standards. Issue papers on common services and related parties are being developed in order to provide guidance to the United Nations system-wide entities in the areas identified. Meanwhile, additional work is under way to identify further diversity. The results will be presented at the Task Force meeting in September 2011. Moreover, the Task Force and the Technical Group of the Panel of External Auditors are collaborating to address diversity issues.

D. Communication and training

Working with external auditors

17. The Task Force has been working with the Technical Group of the Panel of External Auditors of the United Nations system, the specialized agencies and the International Atomic Energy Agency, in order to foster a more productive and interactive relationship at the system-wide level. The Task Force delegation participated in the meetings of the Technical Group, held in Switzerland in November 2010, at which a range of issues were discussed.

18. As a result of recommendations received from the Technical Group, three issue papers are currently being developed on accounting for common services, the United Nations Joint Staff Pension Fund accounting treatment and disclosure, and the disclosure of transactions between United Nations system organizations. The papers will be submitted to the Task Force in September 2011.

19. In addition, the system-wide team developed a framework to guide organizations in their interactions with the external auditors. The framework also incorporated lessons learned from WFP, the first successful IPSAS adopter. The final document was shared with the Technical Group for its review and approved by the Task Force.

Report of the Joint Inspection Unit

20. The Joint Inspection Unit conducted a review on the preparedness of the United Nations system organizations for IPSAS and issued a report in October 2010 (JIU/REP/2010/6; see A/66/308/Add.1). The Joint Inspection Unit, during its review, observed that most of the best practices are being or have been implemented by many United Nations system organizations. In order to ensure the smooth transition of United Nations system organizations to IPSAS, the Joint Inspection Unit recommended further best practices in several areas, including conducting gap analysis, developing a strategy for IPSAS-compliant opening balances, developing a risk management approach, identifying training requirements and ensuring bilateral communication between the organization and auditors. The Joint Inspection Unit also recommended that legislative bodies should provide staffing and funding for the IPSAS implementation, and executive heads should issue progress reports on IPSAS implementation.

Training

21. The system-wide training material consists of 7 computer-based training courses[1] and 11 instructor-led training courses.[2] In 2011, the United Nations Children's Fund translated the training aid for five computer-based training courses into French and Spanish. The United Nations Development Programme (UNDP) translated the computer-based training course, "Orientation to IPSAS", into French and Spanish. The material produced in French and Spanish has been shared with the United Nations system organizations. In addition, the system-wide training material has been made available to the North Atlantic Treaty Organization.

E. Progress achieved towards the adoption of IPSAS by United Nations system organizations

22. Nine United Nations system organizations implemented IPSAS as at 31 December 2010. Fourteen organizations, with adoption dates ranging from 2011 to 2014, are currently in the process of IPSAS implementation. A list of organizations and their IPSAS implementation dates, as at 31 July 2011, is provided in annex I.

23. All organizations that will implement IPSAS from 2011 to 2014 have reported to be on track with their project timelines. Implementation issues common to many United Nations system organizations have been closely monitored, discussed and reported by the system-wide Task Force.

Implementation of IPSAS by organizations: cross-cutting issues and progress

24. Organizations communicate the progress achieved with IPSAS implementation to their stakeholders on a periodic basis. Staffing remains an issue owing to the scarcity of IPSAS expertise, though many organizations have progressed with recruitments for their IPSAS teams and a majority of the organizations advanced in their training activities, consistent with the status of their implementation of the standards.

25. Overall, organizations made notable progress with the IPSAS impact analysis on transactions and balances, as well as the review of chart of accounts and the development of their accounting policy manual. Most organizations are currently working on the alignment of their enterprise resource planning systems with IPSAS requirements. The majority of organizations have reviewed and amended their financial regulations and rules to align them with IPSAS.

26. While most organizations reported that the role of their external auditors was critical in IPSAS implementation, half of the organizations had limited or no involvement from their internal auditors. The majority of the organizations have scheduled dry runs for their financial statements, which are expected to be reviewed by external auditors.

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[1] The computer-based training courses, which are self-directed and intended to raise awareness of IPSAS concepts and provide working-level knowledge training, were made available on three platforms — Internet, CD and a learning management system.

[2] The instructor-led training courses are delivered face-to-face and include United Nations system-specific examples, learning checkpoints and end-of-course assessments.

Organizations that implemented IPSAS by 2010: status and cross-cutting challenges and risks

27. Apart from WFP, eight United Nations system organizations implemented IPSAS as at 31 December 2010. Seven of the organizations received unqualified audit opinions on their first IPSAS-compliant financial statements during the reporting period. The audit of one organization is yet to be finalized. WFP, which implemented IPSAS in 2008, received its third consecutive unqualified audit opinion on its financial statements from a different group of auditors.

28. Challenges and risks common to implementers have been closely monitored and reported by the system-wide Task Force. One of the main challenges noted was the difficulty of obtaining information to comply with the requirements of IPSAS. Other challenges included obtaining information from dispersed sources, especially outside the field of finance, addressing the volume and complexity of transactions, and ensuring that field operations were cognizant of their responsibilities in implementing IPSAS.

29. Staffing was an issue for most organizations. Challenges with recruiting staff with IPSAS expertise led to other difficulties on several fronts, including ensuring thorough understanding of IPSAS-compliant accounting policies and the proper application of these policies throughout each organization.

30. The challenges encountered with the closure process were mostly due to the time constraints of the financial year-end closing. The preparation of financial statements was a lengthy process and numerous adjustments had to be made during the closure process. Accounting and reporting on areas not previously accounted for or presented in the statements under UNSAS was also challenging. In addition, proper understanding and application of the accrual method of accounting posed a major difficulty. Common challenging technical areas reported by the organizations were (a) property, plant and equipment, (b) employee benefits, (c) financial instruments, (d) donor reporting, (e) expense recognition and (f) revenue from exchange and non-exchange transactions.

Lessons learned

31. Key lessons learned by the 2010 implementers include:

- Communication, training and change management strategies are key to managing stakeholders' concerns about IPSAS implementation
- External auditors' involvement is vital throughout the process
- Early start of the implementation process is important, including learning from the early implementers
- Early identification and agreement on accounting policies and guidance is critical
- Financial statement dry-runs are effective and highly beneficial in resolving issues before the year-end closing and in facilitating the preparation of the financial statements
- Support of senior management is vital
- Enterprise resource planning system coordination is critical
- IPSAS extends beyond accounting and finance personnel

- Staffing is crucial
- Continued sharing of experience and ideas among IPSAS implementers is important
- IPSAS is an ongoing process.

IPSAS implementation dividends

32. The dividends of IPSAS reported by the United Nations system implementers include:

- Enhanced accountability and transparency through improved financial reporting, especially a more complete picture of assets, liabilities, revenues and expenses
- Informed discussions of senior management and the governing body, and better understanding of the results and position highlighted by the financial statements
- Improved controls and processes
- Development of accounting and financial management skills of non-accounting and finance staff through IPSAS training
- More informed decision-making on technical and accounting issues
- Development of metrics in key areas of financial risk management.

III. Adoption of IPSAS at the United Nations

A. Overview

33. The first set of IPSAS-compliant financial statements for the period ending June 2014 for peacekeeping operations, and December 2014 for other United Nations Secretariat operations, have to be delivered by 30 September 2014 and 31 March 2015, respectively. However, several challenges need to be met in order to remain on track with these targets, primarily: (a) determination of opening balances of assets under IPSAS; (b) complete and accurate recording of assets; (c) mobilizing and training staff to embrace the changes; and (d) timely Umoja implementation. A risk management strategy has been established to proactively address challenges and mitigate or eliminate the risks identified. Contingency plans have been formulated and commissioned, in some cases, to further strengthen the strategy.

34. The project's focus has shifted from policy development to implementation, signified by intensified change management and project management efforts at Headquarters, and a concurrent increase in effort by the local implementation teams in offices away from headquarters, field missions and other offices. Pre-implementation exercises in the field by multidisciplinary Headquarters-field teams are gearing towards ensuring a practical quality for the policy framework and guiding a prudent change management strategy. With commencement of implementation in local offices taking shape and a greater sense of urgency being communicated, the project remains on track for delivery of the first IPSAS-compliant financial statements.

B. Project governance and oversight

35. The project continues to be steered by the United Nations IPSAS Steering Committee, which has increasingly focused on identifying and managing risks for timely implementation, rather than on policy formulation, having substantially completed the policy framework that was an essential foundation for implementation. A high-level risk register that is regularly monitored by the Steering Committee is being progressively developed into templates for managing risks at each office away from Headquarters, mission and department. In view of the heightened risks to timely implementation owing to the heavy dependency on the Umoja implementation, the Management Committee has also intensified its oversight of the progress of the Umoja and IPSAS projects, including the interdependencies of their implementation strategies, through a quarterly review and other periodic interventions, as necessary. High-level management involvement will remain a key component of the risk management strategy.

36. Pursuant to the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see A/65/577) and the approval of the General Assembly (see resolution 65/243), the Board of Auditors completed its first annual audit of IPSAS implementation in June 2011 (see A/66/151). Recommendations of the Board of Auditors which specifically relate to the United Nations Secretariat are addressed in the relevant parts of the present report.

C. IPSAS implementation in the United Nations

37. As outlined in detail in the Secretary-General's report (A/60/846/Add.3), key benefits that will be achieved with the adoption of IPSAS include the following: (a) greater transparency owing to increased reporting requirements; (b) better management and valuation of assets and liabilities as a result of stronger internal controls; and (c) more accurate costing of operations through better recognition and reporting of revenues and expenses.

38. Some benefits of IPSAS adoption, including expense recognition on an accrual basis and stronger asset management, will be immediately visible. However, other benefits, such as better costing of operations, enhanced accountability and results-based management supported by improved financial reporting with more complete recording of assets, liabilities, revenues and expenses, will be realized over a longer period. In order for the Organization to achieve such long-term benefits, substantial work needs to be undertaken systematically and certain cultural changes need to be fostered. In this regard, beyond changing the Organization's information management systems, adopting IPSAS involves extensive data gathering and maintenance to meet the broad and detailed IPSAS requirements, changing the Organization's business processes and making a cultural shift in creating and harnessing information for decision-making. Several steps have been taken in moving the Organization towards IPSAS compliance, as outlined in the present report.

Policy framework

39. The United Nations IPSAS policy framework and its guiding principles have progressed substantially. All 31 IPSAS standards have been analysed and policies

specific to the requirements of the United Nations have been developed in most areas, consistent with the harmonized United Nations system-wide policies endorsed by the High-level Committee on Management Task Force on Accounting Standards. Several policies have also been incorporated into the Umoja design. Standard operating procedures are being reviewed for modification, where practical, ahead of Umoja deployment.

40. Recognizing the complexity of transitioning to a new set of accounting standards, IPSAS allows transitional provisions for certain standards, in order to provide additional time to gradually meet the full requirements of that those specific standards after transitioning to IPSAS. As part of the risk mitigation strategy, the United Nations decided to very selectively invoke transitional provisions in significantly challenging areas in order to address unexpected issues encountered in gathering data, in particular for the opening balances of assets. Transitional provisions in the following areas have been incorporated into the United Nations IPSAS policy framework:

(a) *Property, plant and equipment*. IPSAS allows a period of up to five years for recognition of all property, plant and equipment items. The United Nations Secretariat offices started gathering their asset records with the objective to complete these on time for the opening balances. However, taking into account the issues related to identification and valuation of assets, which in some cases might take a long time to resolve, the Organization has proposed to invoke transitional provisions for the recognition of project assets, self-constructed assets and capital improvements to leasehold assets;

(b) *Intangible assets*. IPSAS allows the Organization to recognize intangible assets prospectively after transitioning to IPSAS. It is planned to invoke transitional provisions in this area. As the United Nations system accounting standards do not require recognition or disclosure of intangible assets, the detailed records required to produce IPSAS opening balances for such assets have not been maintained under the United Nations system accounting standards;

(c) *Presentation of financial statements*. As allowed by IPSAS and approved by the High-level Committee on Management Task Force on Accounting Standards in 2007, comparative information for the previous year will not be provided in the first IPSAS-compliant financial statements.

Engagement with external auditors

41. The involvement of external auditors throughout IPSAS implementation has been noted by all implementing organizations as a key success factor, while also acknowledging that this involvement has not always been easy to achieve. In this regard, the United Nations has been consulting with the Board of Auditors with respect to the United Nations IPSAS policy framework and some policies have been adjusted to take note of the Board's observations. Consultations with the Board are expected to be completed by March 2012.

42. Further to the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see A/65/577), discussions have taken place with the Board of Auditors on consolidation of financial statements for reporting entities within the United Nations Secretariat as well as throughout United Nations system organizations. The Board has not raised any objections to maintaining separate

IPSAS-compliant financial statements on an entity basis, including separate volumes of financial statements for peacekeeping operations and the General Fund and related funds.

43. Dialogue has also been initiated with the Board of Auditors concerning the introduction of annual audits for non-peacekeeping operations, as a result of IPSAS adoption. In view of the implications for the review of the Board's reports by the governing bodies, in addition to the operational and financial implications, proposals in this regard are expected to be presented in the next IPSAS progress report, after broad consultation.

Financial Regulations and Rules

44. The Financial Regulations and Rules will have to be amended in accordance with the United Nations IPSAS policy framework, in the areas of terminology, presentation of financial information and policy. The revised Financial Regulations and Rules will be presented for the approval of the General Assembly in its sixty-seventh session, to meet the target date of 1 July 2013 for field missions. As part of implementation, manuals, Secretary-General's bulletins, Secretariat administrative instructions, standard operating procedures and guidelines will be updated in accordance with the changes to the Financial Regulations and Rules. Documents requiring amendments are currently being reviewed.

Implementation activities

45. Having reached the final stages with the policy framework, the United Nations IPSAS team is now concentrating on implementation. A large amount of work needs to be undertaken to implement IPSAS and significant challenges are expected during the transition to IPSAS-compliant financial statements. Given tight timelines, implementation efforts are focusing on a number of major challenges, which are managed through a risk-based approach. Key risks identified with IPSAS implementation are (a) inaccurate opening balances of assets, (b) inaccurate and incomplete recording of assets, (c) change management challenges and (d) delays in Umoja deployment.

46. Determination of opening balances for assets is one of the biggest implementation challenges. To facilitate this process, guidelines, templates and checklists have been developed; these were discussed at the chief finance officers workshop in June 2011, during which chief finance officers contributed to the development of implementation plans. Checklists have been further tailored to address the specific needs of, for example, Headquarters, offices away from Headquarters and regional commissions, which use less uniform systems for asset accounting.

47. IPSAS requires a strong asset management function for improved financial reporting. Several types of assets, including property, plant and equipment, inventory and intangibles have either very limited or no reporting requirements under the United Nations system accounting standards. The more detailed and stringent reporting requirements under IPSAS makes it imperative for all offices to gather and maintain detailed asset accounting data, including historical costs for property, plant and equipment and inventory, in preparation for obtaining opening balances under IPSAS.

48. The preparation of opening balances relating to assets is complex, labour intensive and time-consuming. Therefore, to mitigate the risk of incomplete or inaccurate opening balances for assets, their preparation has to be phased-in incrementally, leveraging existing systems, such as Galileo for peacekeeping operations and other feasible workaround solutions, until Umoja becomes available for recording and updating the balances.

49. All offices are working towards ensuring the completeness, accuracy and reliability of their asset accounting records, as a first step towards IPSAS-compliant opening balances, with the goal of reducing the volume and complexity of work at later stages of the implementation. Detailed instructions for different asset groups are being delivered in phases. As a first step, the offices are being provided with instructions for real estate holdings, which constitute a significant portion of assets in terms of value. Instructions for property, plant and equipment, including self-constructed assets, inventory and intangible assets, will be made available to the offices starting from the third quarter of 2011.

50. Owing to the material significance of the values of assets in IPSAS-compliant financial statements and the complexity of preparing the opening balances for the first IPSAS-compliant statements, the tolerance for errors in such balances is very low in order to obtain an unqualified audit opinion. As part of risk mitigation efforts, collaboration has been initiated with the Office of Internal Oversight Services, to secure its support in identifying potential issues for the Administration's attention. Additional risk mitigation will also be available in the "dry run" financial statements that are proposed to be generated during the first fiscal year of IPSAS implementation. The Organization will also continue to involve the Board of Auditors in this crucial area in order to mitigate any adverse and unforeseen risks to an unqualified audit opinion.

51. In the meantime, a significant codification exercise has been completed by the Department of Field Support in order to assist peacekeeping missions in the classification of non-expendable property as a prelude to the accurate recording of assets under IPSAS.

Change management

52. The adoption of IPSAS will align United Nations accounting practices with internationally recognized best practices and standards, including the introduction of full "accrual" accounting. However, the transition from modified cash/accrual accounting to full accrual accounting has significant non-finance implications.

53. One challenging area of change will be the receipt and inspection process. At present, expenditures are recorded in the accounting systems based on obligations. Under IPSAS, expenses will be recognized on an accrual basis when the Organization has a legal or constructive requirement to pay, which is upon delivery of goods and services. Therefore, "receipt and inspection" will become an integral part of the accounting process, as an enabler of more timely and accurate recording of expenses.

54. Under IPSAS, not only will the receipt and inspection process change, but the business culture will also need to adapt to the new procedures and their impact on resource management and performance reporting. Recognition of expenses based on the "delivery principle" will also affect programme management functions,

highlighting variances between budget performance and financial statements. Programme managers throughout the Organization will need to adapt to this new reality and manage their resources more proactively. Their efforts will be facilitated by better reporting capabilities provided by Umoja.

55. Several areas of the Organization will be impacted by increased controls and procedures required for asset management and accounting under IPSAS. For example, non-expendable and expendable property, and goods and services in-kind, will be subject to new accounting and disclosure requirements in the financial statements. The recording and maintenance of data to support IPSAS compliance in these new areas will impact some functions throughout the Organization, while the materiality of these elements of the financial statements is likely to subject them to greater audit scrutiny.

56. In order to promote understanding of forthcoming changes and ensure effective transformation at all levels throughout the Organization, change management activities have been strengthened, including communication and training.

57. The communication strategy has included a layered approach. At the senior managerial levels including the Management Committee, as well as in the briefings to the Advisory Committee on Administrative and Budgetary Questions, the focus has been on the challenges to the timely implementation of IPSAS and the risks to the realization of the intended benefits of IPSAS adoption. At other managerial levels, communication has been focused on conveying a sense of urgency about the preparatory activities for meeting the 2014 deadline as well as the enormity of the tasks ahead in a resource-constrained environment.

58. With oversight bodies, such as the Office of Internal Oversight Services and the Board of Auditors, the focus has been on proactive management of the risks of a qualified audit opinion on the first IPSAS-compliant financial statements. At the departmental and office levels, the focus has been on the importance of strong project management in the initial stages to meet deadlines, and gradually transforming behaviour to leverage the opportunities provided by changes triggered by IPSAS as well as Umoja.

59. To date, communication to the staff at large has been fairly low-key and sporadic, in part to sharpen the message with tangible changes that staff are likely to soon see. Inevitably, this message is dependent on clarity about how the implementation will impact people, processes and systems. With a dedicated change communication lead as part of the IPSAS team, the progressive appointments of several IPSAS focal points in all Headquarters and field offices, the growing imminence of several implementation activities and greater clarity on several pre-implementation tasks and the roll-out strategy, the IPSAS project will now strengthen the communication to staff at large. IPSAS change management efforts will also be closely coordinated with such Umoja efforts, as many IPSAS changes are in fact to be delivered through Umoja.

60. In 2009 the United Nations IPSAS team developed a suite of IPSAS training products comprising 7 computer-based training courses and 11 instructor-led training courses, which have been made available to United Nations system organizations. The computer-based training courses aim to raise awareness and provide a range of IPSAS concepts targeting functional groups, including

accounting for property, plant and equipment, inventory, employee benefits, leases and provisions, and contingent liabilities and contingent assets. The instructor-led training courses consist of intermediate and advanced levels, and are designed for the classroom environment.

61. Electronic certificates issued to staff members who successfully completed online, computer-based IPSAS training courses reached 6,871, from 3,300 reported in the last progress report. A total of 2,326 staff received computer-based training to date. In addition, in July 2011 35 participants from the Department of Field Support received a special one-day instructor-led IPSAS training course. These special one-day sessions targeted non-finance Department of Field Support staff at Headquarters, to ensure that they have a clear understanding of operational challenges expected in field missions during the transition to IPSAS.

62. Instructor-led IPSAS courses will be provided at the United Nations, in two separate modules. The first module targets staff in areas responsible for determining opening balances, on which work has started. The second and more advanced module will be aimed at staff responsible for the preparation of financial statements. This module will be provided in conjunction with Umoja deployment, to achieve efficiency in course delivery. The IPSAS team is working with offices to plan their training participation. While the majority of the offices will receive the standard training, in a few cases courses will be tailored for specific offices.

63. In August 2011 the first three-day, instructor-led module was delivered in the United Nations Interim Force in Lebanon, in conjunction with a pilot pre-implementation package of activities, as part of the field-testing of the IPSAS policy framework and training. Feedback on the training, which 25 staff attended, was positive. The feedback also indicated a preference for extended discussion opportunities to allow participants to obtain clarity on several difficult concepts. Training material will be updated to provide more discussion opportunities.

64. In addition to the computer-based and instructor-led training courses, extended support to the IPSAS community is also being planned through online webinar sessions, at which a live instructor will interact with trainees from all locations. Such courses will be scheduled at regular intervals to suit the convenience of staff in different time zones. Additional helpful information will also be provided on the IPSAS website and in networking forums.

65. With implementation actions now under way, the United Nations IPSAS team has been expanded and diversified to supplement technical IPSAS expertise with training, project management, information management and technology skills, including the recruitment of a dedicated change-management lead. This team will guide the IPSAS implementation in field missions and offices.

66. To lend a sharper focus to the implementation in field missions, the Department of Field Support has also established a dedicated team at Headquarters with overall responsibility for coordinating the field implementation. This Department of Field Support IPSAS team liaises very closely with the United Nations IPSAS team, helping to provide a field-based perspective for all the implementation plans and activities.

67. For non-peacekeeping operations also, the structure of local IPSAS implementation teams has been formalized. The first local team in the Economic

and Social Commission for Western Asia participated in a pre-implementation exercise in August 2011.

68. In order to address the challenges related to having adequate skilled resources to undertake pre-implementation activities in offices owing to their existing workload, a number of checklists, guidelines and templates are being progressively delivered to field missions and offices, significantly ahead of the target implementation dates. Project management templates and tools are also being formulated and discussed with the offices in an effort to streamline the management of numerous interdependent activities and to provide an organized flow of information about the progress of implementation to managers both locally and at Headquarters. This approach is expected to enable offices to plan their implementations based on their local conditions and allow sufficient lead time to manage some issues with their existing resources.

69. The United Nations Secretariat is also leveraging the experience of other United Nations system organizations that have transitioned to, or are in the process of transitioning to, IPSAS. In addition to the consolidated progress updates on the adoption of IPSAS by the United Nations system organizations, periodically provided by the Task Force on Accounting Standards, including important lessons learned, WFP, the United Nations Industrial Development Organization and UNDP have also shared their individual experiences with the Secretariat.

Umoja deployment

70. The enterprise resource planning system, Umoja, is the backbone for IPSAS implementation. IPSAS requirements are incorporated into the Umoja design and a significant part of the change management associated with the transition to IPSAS is anticipated to be handled together with the change management for Umoja. Consequently, the Umoja and IPSAS teams work very closely not only on the design of Umoja processes but also in the deployment of Umoja. While the scope of Umoja is much broader than IPSAS requirements, the IPSAS implementation is critically dependent on the timely implementation of Umoja.

71. The Umoja implementation approach has recently been revised to deliver Umoja in phases; under the revised approach, the first phase, "Umoja foundation", will include functionality essential to IPSAS implementation. The decision to revise the Umoja deployment schedule is in part an attempt to mitigate the risks for the timely preparation of the first IPSAS-compliant financial statements. More detailed information on the Umoja deployment schedule is contained in the Secretary-General's third progress report on Umoja (A/66/381).

72. As outlined in annex II, opening balances under IPSAS have to be ready as at 1 July 2013 for peacekeeping operations and 1 January 2014 for the rest of the United Nations Secretariat. Dry-run IPSAS-compliant financial statements, with real accounting data, are scheduled for December 2013 for peacekeeping operations and June 2014 for other United Nations Secretariat operations. The first IPSAS-compliant financial statements for the period ending June 2014 for peacekeeping operations must be delivered by 30 September 2014; IPSAS-compliant financial statements for the period ending December 2014 for other United Nations Secretariat operations must be delivered by 31 March 2015. According to the revised Umoja deployment plan, which is more fully explained in the aforementioned Secretary-General's progress report on Umoja, the Umoja

foundation is planned to be deployed in order to facilitate the achievement of the above milestones.

73. Such complex enterprise resource planning deployments as Umoja are susceptible to both delays and problems in the early stages of deployment. Recognizing that the Umoja deployments in several offices would be very close to the IPSAS implementation dates, both the Umoja and the United Nations IPSAS projects are reviewing several risk mitigation strategies to ensure that IPSAS-compliant financial statements can be produced on time. Where practical, and without detriment to the overall Umoja vision of business transformation as well as consolidation of fragmented information and communications technology systems, the Umoja project will seek to leverage, temporarily, such existing systems as Galileo in an effort to mitigate risks for the first IPSAS-compliant statements.

74. In order to address possible delays in the deployment of the Umoja foundation, contingency plans are also being reviewed to produce the first IPSAS-compliant financial statements on target dates using a combination of Umoja, existing information systems and workaround solutions. Among other things, the following are being evaluated as part of contingency planning efforts: (a) using Galileo as an interim staging area for IPSAS-compliant property, plant and equipment, and inventory data in peacekeeping and special political missions; (b) leveraging an existing Department of Field Support system as a solution for automating notes disclosures which represent a significant part of the IPSAS-compliant financial statements; (c) continuing to use, temporarily and with some workarounds, some of the information systems which are currently used for asset management in United Nations Secretariat offices other than peacekeeping and special political missions; (d) devising a combination of manual and semi-automated processes to existing systems, Sun Accounts and the Integrated Management Information System (IMIS), to record fiscal period end expenditures based on the new principle of delivery of goods and services under IPSAS.

75. While utilization of existing systems and workaround solutions might support requirements for organization-wide IPSAS-compliance for a limited period of time to deal with possible delays in the deployment of Umoja, it is not sustainable even in the medium term owing to the complexity and volume of work involved. It is therefore planned that the Umoja foundation be deployed Organization-wide such that temporary solutions and workarounds are not required beyond the initial implementation.

Progressive implementation

76. The Task Force on Accounting Standards has recommended a progressive implementation strategy, wherever feasible, to reduce risks arising from the complexity and scale of final IPSAS implementation. Under this approach, individual standards are gradually incorporated into financial statements in successive fiscal cycles before full IPSAS implementation. The United Nations has embraced this idea by focusing initially on IPSAS requirements which do not require enhancements to existing information systems, such as disclosures of new information.

77. The Organization has implemented the following IPSAS requirements using this approach: (a) recognition of, and/or detailed disclosure on, liabilities relating to After Service Health Insurance, repatriation benefits, pension benefits and annual leave; (b) rationalization of the construction in progress accounting for the capital

master plan; and (c) disclosures on goods-in-kind and contingent liabilities. IPSAS requirements with respect to increased disclosure of the investment pool will be met in the financial statements of peacekeeping operations as at June 2011. More IPSAS requirements relating to lease arrangements, employee benefits, appendix D and facilities in-kind (other than peacekeeping operations) are also planned to be addressed in successive financial statements (for peacekeeping or non-peacekeeping operations) to be produced by the United Nations before 2014.

Timeline and expenditures

78. The timeline for the United Nations IPSAS implementation project, including the major milestones, is summarized in annex II.

79. In its resolution 60/283, the General Assembly approved the resources to begin the process of implementation of IPSAS. The table below provides a summary of the expenditures for the bienniums 2006-2007 and 2008-2009, the revised appropriation for the biennium 2010-2011 and expenditures for the biennium 2010-2011 as at 31 August 2011, by funding source.

IPSAS adoption at the United Nations 2006-2011

(Thousands of United States dollars)

Object of expenditure	*2006-2007 expenditures*	*2008-2009 expenditures*	*2010-2011 revised appropriations*	*2010-2011 expenditures 31 August 2011*[a]
Regular budget				
Posts	370.4	1 270.6	1 177.5	901.9
General temporary assistance	—	—	662.4	117.4
Consultants	—	—	491.4	151.3
Travel	10.2	46.6	156.5	113.7
Contractual services	16.4	0.3	609.0	21.0
Other	10.9	24.2	23.7	0.8
Section 28B, Office of Programme Planning, Budget and Accounts	407.9	1 341.7	3 120.5	1 306.1
Section 31, Jointly financed administrative activities	427.1	732.2	417.9	0.0[b]
Total regular budget	**835.0**	**2 073.9**	**3 538.4**	**1 306.1**
Support account for peacekeeping operations				
General temporary assistance	324.2	547.6	589.6	381.0
Consultants	—	—	2 984.7	232.8
Travel	—	2.6	254.2	27.1
Total support account for peacekeeping operations	**324.2**	**550.2**	**3 828.5**[c]	**640.9**
Grand total	**1 159.2**	**2 624.1**	**7 366.9**	**1 947.0**

[a] Represents actual expenditures up to 30 August 2011 as at 9 September 2011.

[b] Requirements are estimated to be fully covered by the balance rephrased from previous bienniums.

[c] Represents the prorated appropriation for the period from 1 January 2010 to 30 June 2010, the appropriation for the peacekeeping period from 1 July 2010 to 30 June 2011 and the prorated appropriation for the period from 1 July 2011 to 31 December 2011.

80. Existing project resources are being utilized carefully, with the objective of remaining within the indicative project budget of $23 million, as stated in the report of the Secretary-General on financial management practices (A/60/846/Add.3). The IPSAS team at United Nations Headquarters was, however, significantly augmented during 2011 to diversify the skills needed during the transition from policy formulation to detailed implementation planning. As the focus shifts to implementation, the rate of utilization of resources for the period 2012-2015 will increase with resources largely needed in offices away from Headquarters, Headquarters departments and in the field missions to support the implementation activities.

IV. Action to be taken by the General Assembly

81. The General Assembly is requested to take note of the present report, including the plan to present the amendments to the Financial Regulations and Rules at the main part of the sixty-seventh session of the Assembly.

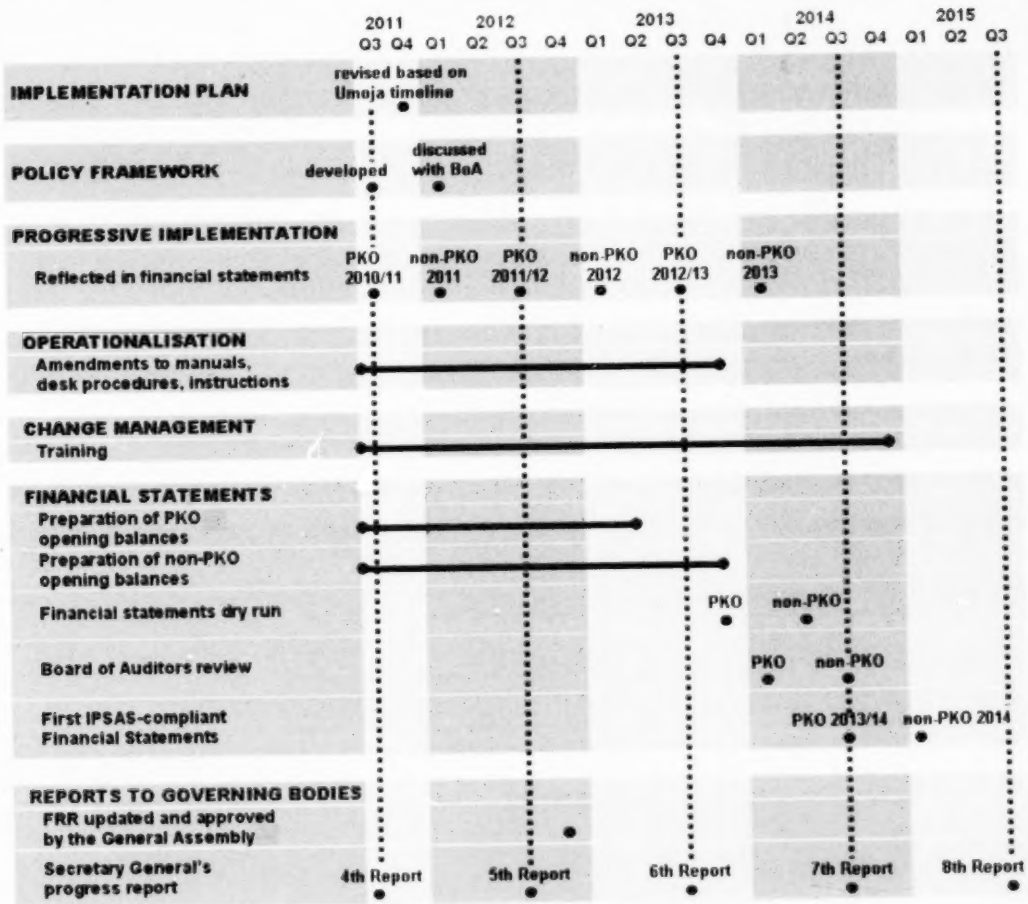
Annex I

United Nations organizations: dates of IPSAS implementation as at 31 July 2011

	Organization	*IPSAS implementation date*
1.	World Food Programme (completed)	2008
2.	International Civil Aviation Organization (completed)	2010
3.	International Maritime Organization (completed)	2010
4.	International Telecommunication Union (completed)	2010
5.	Pan American Health Organization (completed)	2010
6.	United Nations Educational, Scientific and Cultural Organization (completed)	2010
7.	United Nations Industrial Development Organization (completed)	2010
8.	World Intellectual Property Organization (completed)	2010
9.	World Meteorological Organization (completed)	2010
10.	International Atomic Energy Agency	2011
11.	Universal Postal Union	2011
12.	International Labour Organization	2012
13.	United Nations Development Programme	2012
14.	United Nations Population Fund	2012
15.	Office of the United Nations High Commissioner for Refugees	2012
16.	United Nations Children's Fund	2012
17.	United Nations Office for Project Services	2012
18.	United Nations Relief and Works Agency for Palestine Refugees in the Near East	2012
19.	UN-Women	2012
20.	World Health Organization	2012
21.	Food and Agriculture Organization of the United Nations	2013
22.	United Nations	2014
23.	United Nations World Tourism Organization	2014

Annex II

Major milestones in United Nations IPSAS implementation



Abbreviations: BOA, Board of Auditors; PKO, peacekeeping operations; FRR, Financial Regulations and Rules.